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SUBJ: MITI WHITE PAPER ON ENERGY

SUMMARY: MITI WHITE PAPER ON ENERGY, RELEASED SEPT 25, STRESSES NEED FOR JAPAN TO PLACE TOP PRIORITY ON ENVIRONMENTAL PROTECTION IN URGENT TASK OF DEVELOPING NEW ENERGY POLICY FOR JAPAN. MITI PAPER EMPHASIZES NEED FOR INTERNATIONAL COOPERATION IN OBTAINING SECURE AND STABLE ENERGY SUPPLY, AS WELL AS IN MORE SPECIFIC AREAS SUCH AS DEVELOPING NEW SOURCES OF ENERGY AND IN EMERGENCY SHARING. PAPER MAINTAINS UNCLASSIFIED

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THAT PRODUCING COUNTRIES WILL EVENTUALLY BECOME OIL SUPPLIERS AS POWERFUL AS INTERNATIONAL MAJORS, A FACT WHICH WILL GREATLY AFFECT BUSINESS POLICIES OF JAPANESE OIL COMPANIES. IN THIS CONNECTION, WHITE PAPER NOTES NEED FOR JAPAN

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TO REVIEW STRUCTURE OF ITS OWN PETROLEUM INDUSTRY TO MAKE IT MORE COMPETITIVE INTERNATIONALLY. ALSO NOTES NEED TO PROMOTE USE OF ATOMIC POWER IN JAPAN. PAPER CONCLUDES BY STATING NECESSITY FOR INTERNATIONAL CONFERENCE OF PRODUCERS AND CONSUMERS AT EARLIEST POSSIBLE DATE TO DISCUSS ENERGY POLICIES. END SUMMARY.

1. MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) ON SEPT 25 RELEASED WHITE PAPER ON ENERGY FULL TEXT (IN JAPANESE) OF LENGTHY DOCUMENT NOT YET AVAILABLE FROM MITI. FOLLOWING ARE HIGHLIGHTS OF PRESS SUMMARIES. PAPER IS DIVIDED INTO PREFACE, CHAPTER I - SUPPLY AND DEMAND, CHAPTER II - ENERGY SITUATION AT HOME AND ABROAD, CHAPTER III - ENERGY POLICY GOALS, AND CONCLUSIONS.

2. PREFACE.

A. IN CONSIDERING ENERGY POLICY IN JAPAN, TOP PRIORITY SHOULD BE GIVEN TO PROTECTING THE ENVIRONMENT. THIS NEED, HOWEVER, OBSTRUCTS THE STABLE SUPPLY OF ENERGY IN JAPAN, PARTICIULARLY AS IT AFFECTS LOCATING SITES FOR INCREASED STOCKPILING OF OIL AND NEW POWER PLANTS.

B. DESPITE DIFFICULTIES IT IS IMPERATIVE TO WORK OUT A NEW ENERGY POLICY. THE THREE PILLARS OF THIS ENERGY POLICY SHOULD BE (1) SECURING A STABLE SUPPLY OF ENERGY (OIL) THROUGH PROMOTION OF OF INTERNATIONAL COOPERATION; ASSURING SMOOTH CONVERSION OF

THIS ENERGY INTO ELECTRIC POWER; AND DEVELOPMENT OF NEW ENERGY SOURCES ESPECIALLY NUCLEAR (2) FURTHERANCE OF ANTI-POLLUTION MEASURES, AND (3) ENERGY CONSERVATION.

3. CHAPTER I - CHARACTERISTICS OF JAPAN'S ENERRGY SUPPLY AND DEMAND. JAPANESE ENERGY CONSUMPTION IS THE SECOND LARGEST IN WORLD (AFTER US) AND JAPAN IMPORTS 85 PERCENT OF ITS TOTAL ENERGY NEEDS. JAPAN IMPORTED $5.7 BILLION WORTP OF ENERGY IN 1972 OR 24 PERCENT OF ITS TOTAL IMPORTS. THIS UNCLASSIFIED

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LEVEL OF ENERGY CONSUMPTION IS BOUND TO INCREASE. JAPAN IS HEAVILY AFFECTED BY OVERSEAS DEVELOPMENTS BECAUSE OF ITS OVERWHELMING DEPENDENCE ON THE MIDDLE EAST AND BECAUSE OF THE RELATIVE DECLINE OF IMPORTANCE OF MAJOR WESTERN OIL COMPANIES IN THE WORLD ENERGY MARKET.

4. CHAPTER II - CHANGES IN THE ENERGY SITUATION AT HOME AND ABROAD. THE SUPPLY OF OIL IS BECOMING TIGHTER AND THE WORLD IS LIKELY TO SUFFER FROM SCARCE SUPPLIES OF NUCLEAR FUEL IN THE 1980'S. OIL PRICES, PARTICULARLY FOR LOW SULFUR CRUDE OIL, WILL RISE. OIL PRODUCING COUNTRIES, THROUGH THEIR PARTICIPATION AGREEMENTS AND THROUGH NATIONALIZATIONS, WILL SOONER OR LATER BECOME MAJOR OIL SUPPLIERS AS POWERFUL

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AS EXISTING WESTERN OIL CONCERNS. IN OTHER WORDS, THE VOL-
UME OF CRUDE OIL TO BE TRADED DIRECTLY BETWEEN OIL PRODDC-
ING AND CONSUMING COUNTRIES WILL CONTINUE TO EXPAND. SUCH
DIRECT TRADING WILL GREATLY AFFECT THE BUSINESS POLICIES
OF JAPANESE COMPANIES.

5. CHAPTER III - TASKS OF ENERGY POLICY IN NEW SITUATION.

A. IMPORTED OIL WILL REMAIN THE MAJOR ENERGY SOURCE FOR
SOME TIME TO COME. HOWEVER, THERE IS A NEED TO EXPEDITE
INTERNATIONAL COOPERATION IN DEVELOPING NEW ALTERNATIVE
RESOURCES, SUCH AS OIL SAND, OIL SHALE, AND GASSIFIED
COAL. THERE IS ALSO AN URGENT NEED TO PROMOTE USE OF
NUCLEAR ENERGY THROUGH DEVELOPMENT OF FAST BREEDER REAC-
TORS. UTILIZATION OF NUCLEAR FUSION AND SOLAR ENERGY
SHOULD BE PUSHED AS IMPORTANT NATIONAL PROJECTS.

B. JAPAN SHOULD STEP UP ECONOMIC AND TECHNICAL COOPERATION WITH
PRODUCERS TO CREATE CONDITIONS FAVORABLE TO STABLE EXPANSION OF
OIL PRODUCTION. EQUALLY NECESSARY IS PROMOTION OF COOPERATION
WITH CONSUMING COUNTRIES IN THE AREA OF EMERGENCY SHARING.

C. JAPAN SHOULD ALSO EXPAND THE FUNCTIONS OF THE JAPAN
PETROLEUM DEVELOPMENT CORP, STRENGTHEN OIL DEVELOPMENT COM-
PANIES, AND PROMOTE OIL DEVELOPMENT ON THE WORLD'S CONTI-
NENTAL SHELVES. SINCE IT WILL BE MORE DIFFICULT TO DEPEND

ON THE MAJOR OIL COMPANIES TO THE SAME DEGREE AS IN THE
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PAST, THERE IS A NEED FOR JAPAN TO ESTABLISH ITS OWN DEVEL-
OPMENT PROGRAM AND TO ESTABLISH A SYSTEM FOR PURCHASING
CRUDE OIL DIRECTLY FROM PRODUCERS. JAPAN IS EXPECTED EVEN-
TUALLY TO EXPAND ITS IMPORTS OF PETROLEUM PRODUCTS, SINCE
THE PRODUCERS ARE ASKING FOR CONSTRUCTION OF REFINERIES
AS PART OF THEIR DEVELOPMENT PROCESS. IN SUM, THE PRESENT
PETROLEUM INDUSTRY IN JAPAN SHOULD BE THOROUGHLY REVIEWED
TO MAKE IT MORE INTERNATIONALLY COMPETITIVE.

D. TO PROMOTE ATOMIC POWER GENERATION, THERE IS A NEED TO
ESTABLISH A NUCLEAR FUEL CYCLE (I.E. SECURE SOURCES, SAFE
PROCESSING, AND PROPER WASTE DISPOSAL) TO DEVELOP INDEPENDENTLY
NATURAL URANIUM, AND TO DEVELOP TECHNOLOGY TO ENRICH (AND DISPOSE
OF) URANIUM. EVERRY EFFORT SHOULD BE MADE TOWARD SAFETY AND
PRESERVATION OF THE ENVIRONMENT IN RELATION TO ATOMIC ENERGY.
HYDRAULIC, GEOTHERMAL SOLAR, SYNTHETIC NATURAL GAS, AND HYDROGENOUS
ENERGY SOURCES SHOULD BE STUDIED.

E. FURTHER PROGRESS TOWARD INDEPENDENT DEVELOPMENT OF
NATURAL GAS RESOURCES OUTSIDE JAPAN IS DESIRED AND TO THIS
END CONSTRUCTION OF LNG TANKERS SHOULD BE PROMOTED.

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6. CONCLUSION.

A. ENVIRONMENTAL PROTECTION AND ACTIVE INTERNATIONAL COOPERATION SHOULD FORM THE BASIS OF THE NATION'S ENERGY POLICY. TO THIS END, IT WOULD BE NECESSARY FOR JAPAN TO ARRANGE AT THE EARLIEST POSSIBLE DATE A CONFERENCE WHERE THE WORLD'S OIL PRODUCING AND CONSUMING NATIONS CAN DISCUSS ENERGY POLICIES ON AN INTERNATIONAL SCALE.

B. ADJUSTING THE DIVERSIFIED ENERGY INTERESTS IN JAPAN REQUIRES THE FORMATION OF A NATIONAL CONSENSUS TO DRAFT FORWARD LOOKING AND FLEXIBLE ENERGY POLICIES.
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